

HOUSE BILL REPORT

E2SSB 6409

As Reported by House Committee On: Ways & Means

Title: An act relating to creating the Washington opportunity pathways account.

Brief Description: Creating the Washington opportunity pathways account.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Kastama, Rockefeller, Shin and Kohl-Welles).

Brief History:

Committee Activity:

Ways & Means: 3/9/10, 3/10/10 [DPA].

Brief Summary of Engrossed Second Substitute Bill (As Amended by House)

- Creates the Washington Opportunity Pathways Account (Account) in the State Treasury.
- Directs lottery account moneys previously directed to the State General Fund into the Account.
- Dedicates moneys in the Account for Opportunity Grants, Educational Opportunity Grants, GET Ready for Math and Science Scholarships, Passport to College Promise Scholarships, College Bound Scholarships, the State Work Study program, the State Need Grant, Washington Scholars awards, the Washington Award for Vocational Excellence, and Washington Promise Scholarships.
- Requires the Lottery Commission to report to the legislative committees on commerce, economic development, and higher education on marketing strategies and revenue projections for the rebranded lottery by December 1, 2010. The implementation of new marketing strategies may begin prior to the required report to the Legislature.
- Directs the Joint Legislative Audit and Review Committee to conduct a review of practices and programs at the State Lottery Commission to identify cost savings and efficiencies and to report to the Legislature by November, 2010.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended. Signed by 13 members: Representatives Linville, Chair; Ericks, Vice Chair; Sullivan, Vice Chair; Cody, Conway, Darneille, Haigh, Hunt, Kagi, Kenney, Kessler, Pettigrew and Seaquist.

Minority Report: Do not pass. Signed by 9 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Hinkle, Hunter, Priest, Ross and Schmick.

Staff: Serah Stetson (786-7109).

Background:

Legislation creating Washington's lottery was approved during a 1982 special session of the Legislature called to deal with a projected budget deficit. The bill required that the State General Fund receive the state's share of the revenue. In 2000 Washington voters approved Initiative-728 (the K-12 2000 Student Achievement Act), which redirected lottery revenue contributions from the State General Fund to education funds beginning July 1, 2001. On April 3, 2002, Governor Gary Locke signed legislation which allowed Washington's lottery to join the multistate lottery Mega Millions effective June 2002.

Profit from all lottery games must benefit education up to the level of \$102 million annually. Once the \$102 million contribution level for education has been reached, any additional net revenues from Mega Millions benefit the State General Fund while other lottery games continue to benefit education. From July 1, 2004, to July 1, 2009, all lottery net revenues allocated for education were sent to the Education Construction Account to help build, renovate, and remodel schools throughout the state.

In 2009 the Legislature redirected lottery dollars for education as well as economic development contributions to the State General Fund to support a range of state programs, including education. On July 1, 2009, lottery funds were redirected from the Education Construction Account to the General Fund-State for the 2009-11 biennium. Also in 2009 the Legislature approved the sale of the multi-state game Powerball. While the Education Construction Fund has been lottery's largest beneficiary, the lottery has been directed by the Legislature to make contributions to stadium funding and problem gambling prevention and treatment.

Summary of Amended Bill:

The Washington Opportunity Pathways Account is created. Beginning in Fiscal Year 2011, all net income from the multi-state lottery games, other than those dedicated to the Problem Gambling Account and the Education Construction Account, are deposited into the Washington Opportunity Pathways Account rather than into the State General Fund.

The Washington Opportunity Pathways Account is subject to appropriation by the Legislature, and may only be used for the following higher education programs: the State Need Grant; the State Work Study program; College Bound Scholarships; Washington Promise Scholarships; Washington Scholars; the Washington Award for Vocational Excellence (WAVE); the Passport to College Promise; the Educational Opportunity Grant; and GET Ready for Math and Science Scholarships.

The Lottery Commission is to report to the legislative committees on commerce, economic development, and higher education on marketing strategies and revenue projections for the rebranded lottery by December 1, 2010. The implementation of new marketing strategies may begin prior to the required report to the Legislature.

The Joint Legislative Audit and Review Committee is to complete a performance review of the Lottery Commission's marketing expenditures and incentive pay structure by November 2010.

Amended Bill Compared to Engrossed Second Substitute Bill:

Instead of directing all net Lottery revenues from the Education Construction Account to the Washington Opportunity Pathways Account, the bill as amended by the House Ways and Means Committee would direct only additional revenues above the \$102 million currently directed to the Education Construction Account to go into the Washington Opportunity Pathways Account. Under current law, these revenues would have gone into the State General Fund.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) There is a great need in Washington, particularly at schools such as Eastern Washington University (EWU), for state financial aid. More than 80 percent of EWU students utilize a state financial aid program of some kind. With many financial aid programs facing cuts this year and tuition scheduled to increase an additional 14 percent, this bill is needed to help stabilize student aid and hopefully grow it in the future. Additionally, the American Opportunity Tax Credit is going to sunset this year. During last year's tuition debate, one rationale for such a high increase was the offset provided by the availability of this credit of up to \$2,500. The state needs to find new ways to make up the difference between tuition increases and financial aid cuts and hold students harmless. This bill is the best hope of generating additional funding for financial aid programs.

This bill would use advertising methods that have the potential to generate increased revenues, but more importantly, would promote a college going culture in the state that would reach both youth and adults. For example, on Western Washington University's campus, there is a program called "Compass 2 Campus" that relies on State Work Study to support college student mentors that work with fifth graders across Whatcom and Skagit counties that are from underrepresented and disadvantaged backgrounds, many of whom may choose to benefit from the college bound program when they reach middle school. This bill would not only fully support the State Work Study program, but also support several smaller financial aid programs, including the merit-based Washington Scholar and WAVE vocational scholarships, the only merit based scholarships the state currently offers. Some of the students that benefit from these programs represent the finest that the state has to offer, and many will not only stay here for their college education, but also stay for distinguished professional careers, leading to economic gains that far outweigh the cost of the programs.

This bill also represents thinking outside of the box, preserves the integrity of the Lottery and creates a path that leads towards fulfilling the state's strategic master plan for higher education. Georgia's Lottery program has been used as a comparison for what this bill would do. Georgia's ads are asking the individual to buy a ticket with the chance of winning millions, knowing that they are supporting the education of toddlers playing in the yard next door, as well as the education of the future engineers, doctors, and teachers in their state. It's important to be clear that this legislation does not fully fund the financial aid programs administered by the Higher Education Coordinating Board at current levels. State general funds would still be needed.

(In support with concerns) The goals of the legislation are good. State financial aid programs are critical to the ability of colleges to educate students and more public exposure to higher education through the proposed marketing strategy is beneficial to the state. There is concern about supplanting state general funds with this Lottery money and we ask that the Legislature make sure that any assumptions about incoming revenue as a result of this shift and the new marketing strategy are accurate so that the money will actually be there for these programs.

(Other) It would be good to increase funding for the Early Childhood Education Assistance Program (ECEAP), but make sure that it is an increase to funding and that current funding out of the state general fund is not reduced.

(Opposed) None.

Persons Testifying: (In support) Senator Kastama, prime sponsor; Jordan Johnston, Sam Shaddox, and Jamie Marine, Washington Student Association; Jono Hanks, Associated Students of the University of Washington and Associated Students of Washington; Chris Thompson, Higher Education Coordinating Board; and Marcus Sweetser and Mike Bogatay, Washington Student Association.

(In support with concerns) Sherry Burkey, Western Washington University; and Margaret Shephard, University of Washington.

(Other) Lonnie Johns-Brown, Washington State Association of Early Childhood Education Assistance Program and Headstart.

Persons Signed In To Testify But Not Testifying: None.